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Food Processing Ingredients Sector

(Food Ingredients)

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Report Highlights:

Thailand offers significant opportunities in the food processing sector as domestic sales and exports of processed foods continue to rise. In 2008, Thailand imported approximately \$1.4 billion in food ingredients, a 25 percent increase from the previous year. Despite the global economic downturn, Thai food manufacturers will still seek high-quality food ingredients at reasonable prices. U.S. suppliers should focus their attention on new functional food ingredients, flavors and other ingredients for promoting health and wellness benefits in foods.

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Economic Situation and Market Summary

Thailand is one of the world's leading agricultural suppliers, which is driven by a well developed food processing sector. The agriculture sector accounts for 10 percent of the country's GDP and employs around 50 percent of the labor force. Major food exports include rice, seafood products, sugar, meat, vegetables and fruits. Thailand is the world's largest supplier of frozen shrimp and is a major exporter of chicken. Thailand is also a major importer of agricultural products, including a wide range of food and beverage products and food ingredients. Thailand's main food and beverage imports are dairy products and soybeans. Thailand offers many opportunities in the food processing sector as domestic sales of processed foods continue to rise on strong demand from both retail and food service sectors.

Thailand's Exported Food Products 2005-2008 (in \$Million)

Export Items	2005	2006	2007	2008f
Livestock:				
Chicken and poultry	852	1,022	1,162	1,247
Fishery:	4,024	5,012	5,275	5,578
Shrimp	1,742	2,374	2,489	2,584
Canned and processed tuna	1,107	1,344	1,321	1,460
Chilled and frozen fish	445	483	539	537
Squid	396	441	485	514
Other canned/processed fish	333	372	442	484
Vegetable and fruit:	1,579	1,931	2,076	2,358
Canned and processed fruit	688	828	900	1,038
Vegetable products	414	523	542	584
Fresh and dried fruit	293	337	387	443
Vegetable and fruit juice	183	243	247	292
Other food products:				
Rice	2,276	2,672	3,306	3,379
Sugar	689	760	1,330	1,138
Palm oil	92	138	275	289
Cassava products	311	471	631	780
Cassava flour and starch	236	383	404	460
Flour and starch	76	99	106	124
Rice products	90	107	135	129
Seasonings	159	199	233	264
Non-alcoholic beverage	110	132	174	205
Pet food	328	399	456	511
Animal feed	51	96	283	302
Other foods not specified	1,774	2,011	2,048	2,495
Total	12,648	15,433	17,894	19,262

Source: Department of Trade Negotiations and Food Institute

Due to the global economic downturn and a slump in exports and tourism sectors, Thailand's economy in the fourth quarter of 2008 contracted by 4.3 percent. Economic growth in 2009 is forecast to be between -1 percent and 0 percent. It is estimated that Thai economy is likely to

contract for four consecutive quarters before generating positive growth in the fourth quarter of 2009. The Thai National Food Institute forecasts Thailand's 2009 food exports will fall due to weak global demand and deteriorating consumer spending in the US, EU and Japan. However, the country's food exports are forecast to reach \$22 billion due to strong government support and incentives for export-oriented companies in agriculture and processing ventures. Thailand's 300 billion baht (\$8.6 billion) economic stimulus package is expected to improve the Thai economy.

Post estimates the ongoing global economic situation could force Thai food exporters to shift their focus on other Asian and emerging Middle Eastern markets to offset losses from traditional markets. Falling oil prices has helped reduce production and shipping costs for food manufacturers, and a weaker Thai baht will help Thai food manufacturers compete with other food exporting countries. Despite the global economic situation, Thai food manufacturers will still seek high-quality food ingredients at reasonable prices. The US is considered to be a world leader in food ingredient technology and one of the major food ingredient suppliers to the world. U.S. suppliers should focus their attention on new functional food ingredients, flavors and other ingredients for promoting health and wellness benefits in foods.

Thailand's food industry is divided into four major categories, including primary agricultural products, livestock and poultry, fisheries, and processed foods. Processed foods include fruits, vegetables, shrimp, seafood, poultry, poultry meat products, rice grain, cereal products, sugar, confectioneries, juice and other beverages. In 2008, food and agricultural exports from Thailand exceeded \$38 billion, 23 percent growth from the previous year. There are over 10,000 food and beverage processing factories consisting of small, medium and large-scale plants. Most of these factories, which are small to medium size, serve mostly the domestic market, while medium to large food processors tend to produce higher-valued products for the domestic and export markets. Major export markets are Japan (14 percent), the US (13 percent), and the EU (14 percent). Thai food processors are developing value-added products for these markets as well as domestic high-income consumers. Thailand has a large (63.04 million) and young (37 percent under age 26) population and rising income levels. Thailand's increased awareness of world food tastes and preferences has stimulated significant changes in the attitudes and consumption patterns of Thai consumers. Moreover, rapid urbanization and the growing numbers of women in the workforce has increased demand for processed foods and ready to eat meals.

Numbers of Food Manufacturers in Thailand 2007

Type of Food Manufacturers	Small	Medium	Large	Total
Ice	1,446	23	3	1,472
Bakery and Noodles Products	1,162	57	14	1,233
Fishery Products	551	81	35	667
Fruit and Vegetable Products	562	62	31	655
Meat and Poultry Products	548	42	45	635
Seasonings and Spice	441	32	17	490
Bottled Water and Non-Alcoholic Beverages	306	14	26	346
Vegetable and Animal Oils	193	50	21	264
Ice-Cream	243	3	3	249
Flour and Starch	145	48	29	222

Snack, Chocolate and Confectionery	148	13	8	169
Cereal Products	145	5	3	153
Dairy Products	113	15	18	146
Tea and Coffee	121	2	5	128
Syrups and Sugar	57	16	46	119
Alcoholic Beverages	23	22	30	75
Tapioca	2,412	11	1	2,424
Feedstuff	618	71	23	712
Total	9,234	567	358	10,159

Source: National Food Institute

In 2008, Thailand's food ingredient imports exceeded \$1.4 billion, a 25 percent increase from the previous year. Although domestic ingredients hold the greatest share of the market, these items tends to be low-value, high-volume raw and semi-processed products such as grains, vegetable oils, and starches. High-value and more technology-based ingredients are generally not available locally and must be imported. The food ingredient market continues to grow due to increases in population and in purchasing power, increases in the number of dual income families; and new product development.

The Following are some general characteristics of the Thai food processing industry:

- Thailand has earned foreign currency from exports of processed foods since 1970. Thereafter, Thai agriculture successfully diversified into high-value products, livestock and fisheries and is among the world's leading exporters of several commodities.
- The Thai market for raw materials is growing. Raw inputs for the food processing sector are primarily supplied by Thai companies. Nevertheless, the import market for these ingredients has been growing continuously, reaching 1.2 billion in 2007. The growth in demand for raw materials is due to increased localized production of processed products that are in high demand and are expensive to ship long distances.
- An increasing shift in using imported ingredients for new products.
- A move toward higher quality ingredients. Some companies are moving towards higher-quality ingredients despite higher cost.
- Major food exporters have expanded their production capacity through new machinery purchases or upgrades to meet demand for a variety of products in the major markets and to satisfy international quality standards including HACCP and ISO.

The following is a summary of the advantages and challenges facing U.S. exports of processed food products and ingredients in Thailand

Advantages	Challenges
Thailand has a relatively well-developed food processing sector. The country is a major producer and exporter of processed food products.	Forecasted negative economic growth in 2009 due to a contraction in exports and tourism.
Thai standards are higher than other developing nations due to their reliance on exports to Japan, the US, and EU. Food processors, especially those who export,	Thailand is a country with abundant raw materials, making entry of traditional raw ingredients difficult.

prefer premium ingredients to maintain product standards.	
The food processing sector's active involvement in R&D activities and constant new product introductions create new demand for new food ingredients.	Many suppliers of food ingredients in Thailand are able to produce products domestically that meet international standard and high import tariffs help protect national suppliers.
U.S. products are perceived as premium products with consistent quality.	Strong competition on the local market from domestic producers, and increasing imports from the EU and nearby countries.
Increasing Thai exports of food products drive demand for food ingredients and the growing number of companies paying attention to quality over cost for food ingredients.	U.S. products, especially soy based products, are experiencing some issues with biotech content. There is no problem with foods destined for local consumption, but there are issues for exports to the EU and Japan.
The international food service industry is expanding numbers of companies entering the market and in the number of outlets. Rapid growth of the fast food sector has stimulated related businesses such as bakery products, dairy products, meat and poultry, etc.	Local production is increasingly substituting traditional food imports. Snack foods, salad dressings, sauces, jams and other processed foods that are relatively inexpensive, but have high freight costs, are increasing produced locally.
Consumption of bakery products in Thailand is growing rapidly due to changing consumer behavior.	Low cost food ingredients from China and locally produced food ingredients.
Healthy food and beverages are becoming increasingly popular due to growing health awareness of the urban population.	Natural ingredients such as minerals, vitamins, fiber, calcium, etc. are presently still a niche market.
Increased foreign investment raised standards and forced the utilization of higher quality imported food ingredients.	High import tariffs for U.S. imported ingredients have caused some Thai importers to source products from other countries that Thailand has an FTA with.
Growing popularity of U.S. fast food chains and theme restaurants in Thailand increases demand for U.S. food ingredients.	Approximately 25 percent of ingredients are imported due to the availability of local inputs.

Reflecting rising and income levels in Thailand, consumer expenditures on food and beverages increased to 32.34 percent in 2007 of total household spending. Meanwhile the total value of expenditure on food & beverages (at current market prices) reached \$30 billion in 2007 and is expected to grow to \$38 billion in 2009. Demand for food products is shifting from unprocessed foods from fresh markets to a wider array of processed foods available in large supermarkets. Urban dwellers, in particular, have less time for food preparation due to longer working hours and a greater presence of women in the work force. As a result, the need for processed versions of Thai cuisine is growing steadily. The same applies to Western processed food products as they are perceived as being higher quality than domestically processed food. With rising demand for processed foods, Thai food processors must import large quantities of food ingredients that are not

locally available. The value of imported food ingredients for use in the food processing industry in Thailand stood at \$1.2 billion in 2008.

In 2007, Thailand was the 18th largest export market for U.S. agricultural products, excluding fish and forestry products. U.S. agricultural exports to Thailand increased 29 percent since 2003, from \$684 million to \$880 million. Top U.S. exports to Thailand in 2007 were cotton, soybeans, wheat, hides and skins, fish and seafood products, feed and fodders, dairy products, processed fruits and vegetables, and fresh fruits.

Thailand's Food Processing Industry Outlook

Thailand's food processing industry has developed rapidly throughout the past decade and is one of the most developed in South East Asia. Its main products are frozen shrimp, sugar, poultry, canned tuna, confectionery and snacks, canned pineapple and tapioca. The main export markets for Thai processed foods are Japan, the US and the EU. The seafood sector is the third largest in the world, after China and Norway, with 90 percent of the output being exported. Thailand processes agricultural produce at all levels: household, small and medium-sized enterprises (SMEs) and large industrial enterprises. The packaged food industry is highly fragmented, with the top ten companies controlling only about one-third of the sales value. Reflecting Thailand's state of economic development, the average household spending on food and non-alcohol beverages is about 25 percent in-between that of the Philippines (around 40 percent) and Singapore (around 13 percent). In 2007, consumer expenditures on food and non-alcohol beverages reached \$33.23 billion. The total value of spending on food and beverages will rise by an average 7 percent a year, and is expected to reach \$38 billion in 2009.

Sales of Packaged Food by Sector 2002-2007 (in \$million)

Sector	2002	2003	2004	2005	2006	2007
Confectionery	183	196	210	228	259	305
Bakery products	311	344	374	397	449	523
Ice cream	165	184	202	215	244	290
Dairy products	856	937	1,018	1,075	1,220	1,437
Sweet and savoury snacks	316	357	402	421	475	555
Snack bars	2	3	3	5	9	12
Meal replacement products	77	85	93	105	127	157
Ready meals	19	24	31	38	49	65
Soup	3	3	3	3	3	3
Pasta	0	1	1	1	1	1
Noodles	225	250	276	291	324	375
Canned/preserved food	102	113	124	133	151	177
Frozen processed food	88	102	119	135	164	204
Dried processed food	375	423	474	509	579	680
Chilled processed food	21	22	23	24	28	33
Oils and fats	151	166	183	197	234	283
Sauces, dressings and condiments	514	558	606	636	712	812
Baby food	247	283	336	375	437	524
Spreads	31	34	36	37	41	47
Impulse snack products	836	925	1,019	1,084	1,233	1,451
Nutrition/staples	1,503	1,664	1,838	1,970	2,262	2,684
Meal solutions	1,099	1,218	1,347	1,438	1,633	1,906
Packaged food	3,439	3,807	4,204	4,492	5,128	6,040

Source: Euromonitor

Reduced time for household food preparation due to longer working hours and more women in the work force will contribute drive demand for processed foods, cooked foods from street stalls (despite hygiene concerns) and local, low-priced eateries. In addition, owners of Western-style food outlets and fast-food operations, which are now well established throughout Thailand, will expand their presence throughout the country to meet this growing. Similarly, in the beverage sector, increased disposable income should drive increased demand for alcoholic drinks.

Noodles

The noodle market is dominated by the leading three players, which are Thai President Foods, Thai Preserved Food and Wan Thai Foods Industry Co. Thai President Foods, established in 1972 and affiliated with the Saha Pathana Group, is the biggest player in noodles with its brand “MAMA”. Thai Preserved Food is directly competing with Thai President Foods with its “Wai Wai” brand. There is a limited presence of private label products in noodles as prices are already very low and extremely expensive.

Company	Market Share (%)				
	2002	2003	2004	2005	2006
Thai President Foods Plc.	43.8	44.6	44.6	43.8	43.5

Thai Preserved Food Co., Ltd.	23.9	22.4	22.4	22.0	22.1
Wan Thai Food Industry Co. Ltd.	9.2	9.0	9.0	8.7	8.8
Sitthinan Co., Ltd.	3.4	3.4	3.4	3.4	3.5
Thai Ha Co., Ltd.	0.8	0.9	1.1	1.2	1.4
Others	18.9	19.7	19.5	20.9	20.7

Source: Euromonitor

Ice Cream

According to Euromonitor, the Thai ice cream market is anticipated to reach \$391 million by 2012. The combined market share of the three leading manufacturers (Unilever Thai, Nestle, and Minor Food Group) is over 70 percent. F&N United – a business unit of the Fraser and Neave Group from Singapore ranks forth with value share of 9.2 percent under brand United and Magnolia, followed by Chomthana, a local producer established in 1979 with a market share of 6.7 percent. Chomthana offers a variety of tropical fruit flavors, e.g. Durian, Jackfruit, Lychee, Taro, Coconut and other exotic flavors and generally focuses on selling ice cream to lower-income consumers. It is presently expanding its distribution by increasing the number of freezers and providing 300 three-wheeled carts for street vendors, which is part of the company's overall plan to revamp image and to increase sales of its Cremo brand. Most ice-cream products available for middle and upper-income consumers are in dairy rather than water-based ice cream, as the former is clearly well-accepted among Thais. Currently, most ice-cream manufacturers have invested extensively in product research and added various ingredients to ice cream as a form of innovation.

Company	Market Share (%)				
	2002	2003	2004	2005	2006
Unilever Thai Holdings Ltd.	35.9	36.0	36.1	37.2	38.1
Nestle (Thailand) Ltd.	15.1	17.1	17.1	17.1	17.3
The Minor Food Group Plc.	14.2	15.3	16.1	16.6	16.8
F&N United Co., Ltd.	10.9	9.7	9.8	9.4	9.2
Chomthana Co., Ltd.	7.3	6.6	6.8	6.7	6.7
Others	16.6	15.3	14.1	13.0	11.9

Source: Euromonitor

Sweet and Savory Snacks

Pepsi-Cola (Thai) Trading Co.,Ltd. has been the market leader in savory snacks since 2001 followed by Berli Jucker Plc. The two leading savory snack brands in Thailand are Lay's by Frito-Lay and Tasto by Berli Jucker Plc. with combined sales of \$125 millions, or 26.3 percent share of the sweet and savory snacks market in 2006. Another key local player is PM Food Co., Ltd., which is the market leader for fish snacks under the "Taro" brand. Rising demand for healthier snacks resulted in stronger sales and more product varieties in other sweet and savory snacks, with fish snacks occupying the highest value share. Extruded snacks, featuring products such as processed potatoes, remained number one in sales and popularity with leading brands like Lay's Stacks, Pringles, and Potae. Rice crackers are growing in sales and while the popularity of prawn crackers and processed nuts are declining. Besides chips, crisp, and nuts, popcorn is another popular snack in Thailand. United Food Plc., established in 1975, is the major

manufacturer of packaged popcorn, but occupies only a small share of the overall market value. However, Microwave popcorn has a low but increasing market share of six percent in 2007. High unit prices make the products affordable only to middle to high-income level consumers.

Company	Market Share (%)				
	2002	2003	2004	2005	2006
Pepsi-Cola (Thai) Trading Co.,Ltd.	23.4	25.7	26.6	26.5	26.5
Berli Jucker Plc.	-	-	10.2	10.5	10.7
PM Food Co., Ltd.	7.3	7.3	7.1	7.2	7.2
Useful Food Co., Ltd.	6.9	5.9	5.6	5.6	5.5
Friendship Co., Ltd.	5.4	4.9	4.8	4.9	4.9
Others	57.0	56.2	45.7	45.3	45.2

Source: Euromonitor

Bakery

President Bakery was formed in 1980 and is the market leader in Thailand. The company has developed a distribution network with over 16,000 partners to sell its products, which has helped build consumer awareness and loyalty. The second biggest player is Gardenia Foods (Thailand), which has a strong presence in bread loaves with its brand “Gardenia”. White bread remains the most popular bread type in Thailand, followed by whole-wheat. The latter is gaining popularity due to rising health awareness of Thais. Recently, a wider range of flavored bread was launched, including raisin and cocoa variants from Farmhouse, which has experienced strong sales of these items. Bread is popular among Thai office workers for breakfast due to its convenience and the rising coffee culture that has encouraged consumers to take a hot or cold beverage alongside a bread, cake, or pastry.

Company	Market Share (%)				
	2003	2004	2005	2006	2007
President Bakery Plc.	19.5	19.6	18.9	18.5	18.2
Gardenia Foods (Thailand) Co., Ltd.	10.4	10.4	10.1	10.2	9.4
S&P Syndicate Plc.	5.4	5.2	5.1	4.7	4.6
C&W Interfoods Co., Ltd.	3.8	4.3	4.1	3.7	4.5
Bakery Co., Ltd.	4.7	4.4	4.2	4.0	3.1
Others	56.2	56.1	56.6	58.9	60.2

Source: Euromonitor

Sales of bakery products in 2008 reached \$546 million, an increase of 10 percent. Consumer demand is expected to continue growing as changing trends lead to more bakery consumption among urban consumers. In 2008, Thailand’s baked goods market was around \$546 million lead by bread with 41 percent, pastries with 18, percent and cake with 15 percent. The value of imported bakery products in Thailand steadily increased during 2005-2007 from \$38 million to \$51 million in 2007. Meanwhile, Thailand was the third largest buyer of U.S. wheat in South East Asia, which imported \$120 million in 2007; a 49 percent increase over 2006. There are thousands of small bakery houses in Thailand, but there are less than 100 producers that have a proper business registration. The leading bakery manufacturers in Thailand include President Bakery

and Gardenia Foods (Thailand). Thailand's leading bakery chains are S&P Syndicate, Royal ABP, Gateaux House, Thai Yamazaki, and DLF (Thailand).

Sales of Bakery Products by Subsector 2003-2008 (in thousand tons)

	2003	2004	2005	2006	2007	2008
Bread	85.9	89.6	92.8	96.2	99.1	103.2
Pastries	13.7	14.7	15.7	17.1	18.5	19.8
Cakes	3.8	4.0	4.3	4.6	5.0	5.3
Biscuits	18.6	19.2	20.0	20.8	21.5	22.0
Total	2,125.0	2,131.5	2,137.8	2,144.7	2,151.1	2,158.3

Source: Euromonitor

Sales of Bakery Products by Subsector 2003-2008 (in \$million)

	2003	2004	2005	2006	2007	2008
Bread	140.2	152.6	160.0	178.5	205.8	226.5
Pastries	52.3	58.0	63.0	74.3	89.1	100.7
Cakes	43.0	46.7	51.5	60.0	71.7	81.2
Biscuits	90.5	97.0	100.8	112.0	128.0	137.9
Total	326.0	354.2	375.3	424.8	494.6	546.3

Source: Euromonitor

The mass-market bakery has played a crucial role in growing consumption of bakery products. Leading supermarkets and hypermarkets in Thailand such as Tesco-Lotus, Big C, and Carrefour have all produce their own in-house brands of bakery products. These major supermarkets and hypermarkets offer a variety of bakery products, ranging from simple breads to pastries and cakes, often at cheaper prices compared to branded products. Consumers, mostly lower-income, are attracted to the private label bakery products because of their competitive price and freshness.

The demand for specialty bakery ingredients is relatively small. Most specialty ingredients are used by the middle-to-high bakery segment, but not in the mass-market bakery yet due to lack of product knowledge. Bakery ingredients produced in Thailand include wheat flour, bread improver, dough blend, wheat flour, rice flour, milk and cream (concentrated & not concentrated), butter milk, sugar, colors & flavors, and coconut oil. Thai bakery processors mostly use raw materials that are locally available, but import specialty ingredients.

Influenced from western movies and advertising, Thailand has experienced a rapid expansion of homemade bakery goods from both local and licensed bakery chains. Supermarkets/hypermarkets have expanded aggressively in the urban and suburban areas of Thailand. As a result thereof, 50 percent of the retail trade in bakery products is through these supermarkets/hypermarkets. Since bread is considered a meal, many bakeries have responded by adding nutritional and healthy content to their bakery products. In recent years, major suppliers have also targeted suburban consumers, especially those in major provinces outside Bangkok. The opening of new supermarkets and hypermarkets such as Tesco-Lotus, Big C, and Makro throughout the country has enhanced the availability of bakery products, which can now reach suburban consumers with increased purchasing power. Improved distribution in Thailand has also contributed to growth in

bakery sales. Baked goods are not only distributed through modern retail chains such as supermarkets/hypermarkets but also through bakery outlets owned by the manufacturers.

Consumption of bakery products has grown alongside the proliferation and popularity of coffee shops in Thailand. International and local coffee shops such as Starbucks, Coffee World and bakery-coffee cafés such as Au Bon Pain, Delifrance, Dunkin Donut, as well as small local coffee shops in recent years have made a significant contribution to driving demand for bakery products. This trend has motivated traditional local bakery outlets to also offer coffee in their shops to tap into the growing coffee culture. The coffee culture is becoming increasingly ingrained among the urban Thais. Yet, there is still room for growth in baked goods, as the present consumption per capita is low. President Bakery and S&P Syndicate are planning to expand their bakery outlets in order to widen their reach.

Breakfast has evolved as well; brought about by increased migration of rural Thais to cities and the growing number of women in the workforce. Thais are looking for increased convenience and there is increased awareness and acceptance of Western preferences. This has led to increased popularity of ready-to-eat products. Increased awareness of healthy eating has fueled demand for natural bakery ingredients such as dark wheat, whole wheat, vitamin, fiber, calcium and Omega-3 fatty acids. The same goes for low fat products as functional ingredients in baked goods. The variety of breads available in the market has increased to include products with fruits, nuts, high-fiber, and multi-grain varieties. However, healthy food is still a niche market and consumption volumes remain small at present.

Road Map for Market Entry

Entry Strategy

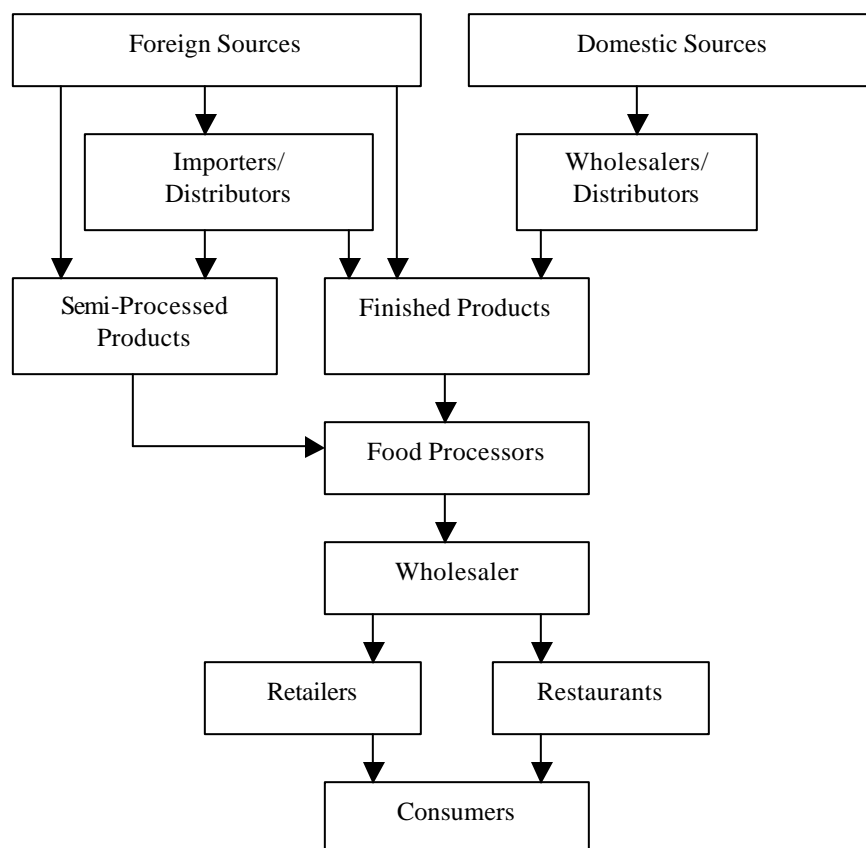
U.S. exporters looking to sell food ingredients to Thailand should first seek to establish good relationships with local importers, distributors and agents, the key stakeholders in the imported food ingredients market. The right distributors can offer U.S. exporters valuable market insight, a team of food scientists to support development of locally adapted product solutions, organize marketing and promotion events, and are capable to import, store and distribute products on a nationwide basis. Importers also often have established relationships with relevant government authorities with the Thai FDA, Customs, etc. Many small and medium-sized food processors buy relatively small volumes of ingredients to avoid complications with import documents and inventory. Therefore they often work through local importers.

U.S. exporters should also seek to work with large food processors, either directly or via local importers. These large food processors typically receive privileges under the Thai Board of Investment (BOI) that exempt import duties on re-exported items. In addition, most international food processors manufacturing in Thailand consume large quantities of food ingredients, but are not authorized to make buying decisions in the use of ingredients. Therefore, U.S. exporters can deal directly with international food processors, e.g. Nestle, Unilever, airline caterings, etc. either local or overseas where the formulation and purchasing decisions are made.

There are two main channels for exporting food ingredients to Thailand. The first channel is through importers that have their own distribution network (wholesalers and retailers) and/or

distribute directly to manufacturers. The second channel is through food processors that import directly from the country of origin. However, most food processors import food ingredients through importers to avoid having to maintain large stocks, and thereby risking product expiration. Only major food processors import directly from the country of origin to save cost when importing large volumes. Most imported food ingredients are marketed and distributed by exclusive or authorized distributors in Thailand. This allows food ingredients manufacturers to focus and control their technical support while leveraging on the distributor's network of wholesalers, retailers and direct end-users.

The below chart shows how food ingredients are passed from foreign or domestic sources to Thai food processors.



Competition

Due to Thailand's wide range of agricultural resources, most food processors can source inputs domestically. However, local production facilities still lack many higher-value and technology-based ingredients. Importers report that U.S. food ingredient exporters are generally less competitive in terms of price, service, and delivery time, but that they offer high quality products and consistent service. Many Thai buyers note that prices of U.S. ingredients are relatively high compared to ingredients from Australia, Canada, and China. In order to avoid price competition with other exporting countries, U.S. exporters need to focus on product innovation, services, technical support, quality, and position their products in the middle-high price ranges.

Considerable investment will be required to educate food manufacturers through importers/distributors and encourage manufacturers to produce higher-quality products through R&D and technical support. In the mean time, Trade shows (Food Ingredients Asia show, <http://asia2008.fi-events.com/content/default.aspx>) and promotions are also highly effective ways to promote U.S. food ingredients and compete with similar products from Europe, Australia, and Canada. However biotech ingredients are an issue in a number of Asian countries requiring a U.S. supplier to provide necessary documentation regarding biotech ingredient requirements. In addition, U.S. suppliers must be prepared to lend considerable technical support to food processors, large local food processors, and distributors to develop innovative products that will boost the demand for their ingredients. This support may be provided in Thailand or in locations outside of Thailand where formulation and purchasing decisions are made.

Best Product Prospects

Products Currently Available

It is important to recognize that most ingredient being used internationally are now being used in Thailand's food and feed industries. In comparison to more advanced countries, the amount used is still relatively small, but there are opportunities for expansion. The following higher-value products are presently moving well in the market:

- Emulsifying, foaming, stabilizing and thickening agents. These products are used in frozen foods, bakery products, ice cream, evaporated milk and confectionery products. The amount of these ingredients has increased in domestic use and in products for.
- Colors and flavors. These products are used in non-alcohol beverages, ice cream and other dairy products, confectionery products, snack foods, bakery, instant noodles and a wide range of processed meats. Demand for non-alcohol beverages, snacks, and confectioneries is expanding.
- Sweeteners. The market for sweetener among soft drink and other non-alcohol beverage manufacturers, as well as confectionery industry is significant and continues to grow. The market for more refined sweeteners has greater potential.
- Soy lecithin. Soy lecithin can substitute for egg yolk, which has been used as an emulsifier in cakes, doughnuts, and cookies. Soy lecithin contains no cholesterol but its phospholipids are similar to those of egg yolk.
- Concentrated fruit juice. Demand for fruit and vegetable juice has considerable room for growth. As Thais consume an average of just 2.8 liters of juice per year, compared with 28 liters per person in the United Kingdom and 40 liters in the US.

Products with Good Sales Potential that are not Presently Marketed

Products that can substitute for traditional ingredients, such as preservative-free ingredients that provide extended shelf life and nutrient/functional ingredients have strong potential in Thailand. Thai consumers prefer new foods that are flavor-intensive, palate-pleasing and healthy. Food ingredients that maximize flavor and healthful benefits will continue to experience growth in Thailand.

Post Contact and Further Information

The Foreign Agricultural Service in Bangkok maintains up-to-date information covering food and agricultural import opportunities in Thailand and would be pleased to assist in facilitating U.S. exports and entry to the Thai market. Questions or comment regarding this report should be directed to the Foreign Agricultural Service in Bangkok at the following addresses:

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Food Ingredient Import Statistic 2005-2007

Description	Country	Import Value (In Thousand U.S. Dollar)			Market Share (%)	%Change 2007/2006
		2005	2006	2007		
Skim Milk Powder	New Zealand	44,615	54,583	84,675	36.00%	55%
	Australia	46,497	48,531	41,450	17.62%	-15%
	USA	15,683	13,386	41,325	17.57%	209%
	World	157,047	148,263	235,197	100.00%	59%
Whey in Powder Form	France	11,499	13,785	23,853	30.74%	73%
	USA	11,933	16,616	22,164	28.56%	33%
	Australia	6,981	8,353	8,176	10.54%	-2%
	World	39,510	49,662	77,600	100.00%	56%
Butter	New Zealand	9,524	16,379	18,506	54.87%	13%
	Australia	10,035	9,118	9,001	26.69%	-1%
	Netherlands	2,628	392	1,734	5.14%	342%
	USA	83	156	641	1.90%	311%
	World	29,958	28,030	33,727	100.00%	20%
Dried Vegetables	China	15,331	22,239	32,219	88.42%	45%
	USA	1,116	1,431	1,897	5.21%	33%
	Indonesia	538	401	519	1.42%	29%
	World	17,792	25,201	36,438	100.00%	45%
Dried Peas	Canada	1,067	1,401	2,629	63.58%	88%
	New Zealand	589	832	1,139	27.55%	37%
	China	34	42	187	4.52%	345%
	USA	36	36	96	2.32%	167%
	World	1,946	2,450	4,135	100.00%	69%
Dried Lentils	China	-	0	200	41.84%	n/a
	New Zealand	-	0	121	25.31%	n/a
	USA	98	182	89	18.62%	-51%
	World	140	209	478	100.00%	129%
Nuts	USA	7,624	8,208	7,632	44.52%	-7%
	China	5,619	5,534	7,210	42.06%	30%
	Australia	430	379	1,046	6.10%	176%
	World	16,051	14,547	17,143	100.00%	18%
Raisin	USA	601	540	1,398	65.97%	159%
	China	856	636	700	33.03%	10%
	Malaysia	2	1	12	0.57%	1781%
	World	1,467	1,229	2,119	100.00%	72%
Other Dried Fruits	USA	696	1,693	2,239	49.14%	32%
	China	1,985	1,371	1,529	33.56%	12%
	Vietnam	-	-	299	6.56%	n/a
	World	3,096	3,397	4,556	100.00%	34%

Description	Country	Import Value (In Thousand U.S. Dollar)			Market Share (%)	%Change 2007/2006
		2005	2006	2007		
Wheat Flour	China	4,960	8,542	29,541	46.09%	246%
	Singapore	4,430	4,236	9,877	15.41%	133%
	Japan	4,411	4,850	5,778	9.02%	19%
	USA	7	8	35	0.05%	338%
	World	27,628	33,565	64,091	100.00%	91%
Corn Flour	USA	83	220	342	45.24%	55%
	Australia	21	32	86	11.38%	169%
	Belgium	-	-	86	11.38%	n/a
	World	479	446	756	100.00%	70%
Flour amd Flakes of Potatoes	USA	386	511	1,660	47.17%	225%
	Germany	382	773	855	24.30%	11%
	China	-	70	410	11.65%	486%
	World	1,168	1,696	3,519	100.00%	107%
Starches	Germany	7,405	10,090	12,181	35.69%	21%
	China	1,059	4,933	9,152	26.82%	86%
	Belgium	1,714	2,417	3,472	10.17%	44%
	USA	129	123	772	2.26%	528%
	World	16,839	25,228	34,129	100.00%	35%
Wheat Starch	Australia	864	1,337	1,920	55.80%	44%
	China	387	411	1,124	32.66%	173%
	Belgium	35	48	131	3.81%	173%
	World	2,052	2,353	3,441	100.00%	46%
Corn Starch	China	302	669	1,361	55.76%	103%
	Japan	526	567	574	23.51%	1%
	South Africa	304	206	176	7.21%	-15%
	USA	143	65	1	0.04%	-98%
	World	2,308	1,745	2,441	100.00%	40%
Potato Starch	Germany	8,065	6,514	5,426	51.62%	-17%
	China	56	546	3,105	29.54%	469%
	Denmark	1,086	1,017	683	6.50%	-33%
	USA	41	32	49	0.47%	53%
	World	13,968	10,232	10,511	100.00%	3%
Cassava Starch	USA	93	11	30	27.27%	173%
	Japan	40	12	26	23.64%	117%
	China	0	6	24	21.82%	300%
	World	134	41	110	100.00%	168%

Description	Country	Import Value (In Thousand U.S. Dollar)			Market Share (%)	%Change 2007/2006
		2005	2006	2007		
Wheat Gluten	France	3,738	1,573	3,807	34.94%	142%
	Australia	910	1,632	2,373	21.78%	45%
	China	665	1,262	1,911	17.54%	51%
	USA	80	17	6	0.06%	-65%
	World	10,248	13,275	10,895	100.00%	-18%
Soybeans	Brazil	176,132	204,578	306,668	50.53%	50%
	USA	133,969	94,912	157,600	25.97%	66%
	Argentina	139,832	69,040	104,614	17.24%	52%
	World	459,024	379,867	606,843	100.00%	60%
Oil Seeds	Japan	2,352	1,725	2,146	35.46%	24%
	Pakistan	267	2	1,865	30.82%	n/a
	Laos	639	1,064	471	7.78%	-56%
	USA	31	15	86	1.42%	473%
	World	9,933	4,977	6,052	100.00%	22%
Fish Fats/Oils	Chile	2,725	3,576	4,781	49.99%	34%
	Ecuador	254	839	1,829	19.13%	118%
	Switzerland	295	666	977	10.22%	47%
	USA	157	40	133	1.39%	233%
	World	7,838	9,570	9,563	100.00%	0%
Olive Oil	Spain	5,512	7,387	4,918	48.56%	-33%
	Italy	2,528	3,746	3,703	36.56%	-1%
	Turkey	316	1,315	791	7.81%	-40%
	USA	-	3	19	0.19%	533%
	World	9,095	14,138	10,128	100.00%	-28%
Margarine	Singapore	643	2,490	4,403	28.66%	77%
	Spain	10	8	3,215	20.93%	n/a
	Malaysia	2,297	3,093	3,203	20.85%	4%
	USA	971	1,420	1,832	11.92%	29%
	World	5,387	8,954	15,363	100.00%	72%
Sugars	USA	5,957	7,804	14,316	27.79%	83%
	China	1,569	3,871	9,876	19.17%	155%
	New Zealand	3,187	2,297	6,468	12.56%	182%
	World	20,137	25,868	51,512	100.00%	99%
Sweeteners	USA	2,849	5,017	9,281	35.78%	85%
	New Zealand	2,476	2,038	6,394	24.65%	214%
	Germany	612	1,177	5,322	20.52%	352%
	World	7,399	11,438	25,939	100.00%	127%

Description	Country	Import Value (In Thousand U.S. Dollar)			Market Share (%)	%Change 2007/2006
		2005	2006	2007		
Lactose	USA	298	947	2,690	64.35%	184%
	Germany	71	474	747	17.87%	58%
	China	1	8	435	10.41%	5338%
	World	627	1,520	4,180	100.00%	175%
Malt Extract	Singapore	26,323	37,502	54,740	27.62%	46%
	Malaysia	19,718	30,264	45,475	22.95%	50%
	New Zealand	39,089	40,728	40,808	20.59%	0%
	USA	6,827	4,924	5,320	2.68%	8%
	World	166,960	163,687	198,180	100.00%	21%
Bakers Premixes and Doughs	USA	750	803	803	17.60%	0%
	France	350	602	754	16.52%	25%
	Singapore	79	252	608	13.32%	141%
	World	2,185	3,332	4,563	100.00%	37%
Vegetables, Fruits, and Nuts Preserved by Sugar	China	1,068	1,267	1,301	47.17%	3%
	USA	259	550	954	34.59%	73%
	Thailand	18	7	155	5.62%	2114%
	World	1,538	2,140	2,758	100.00%	29%
Pears (Preserved)	China	253	1,747	6,854	80.97%	292%
	USA	3,545	5,244	1,111	13.12%	-79%
	South Africa	1,772	286	444	5.25%	55%
	World	9,385	7,294	8,465	100.00%	16%
Cherries (Preserved)	Greece	767	942	1,711	63.65%	82%
	USA	696	716	905	33.67%	26%
	China	40	86	63	2.34%	-27%
	World	1,595	1,772	2,688	100.00%	52%
Peaches (Preserved)	Greece	12,093	11,028	19,960	50.95%	81%
	China	2,583	1,134	10,008	25.54%	783%
	South Africa	2,511	350	3,286	8.39%	839%
	USA	5,775	6,424	145	0.37%	-98%
	World	24,911	21,576	39,179	100.00%	82%
Strawberries (Preserved)	China	138	40	493	85.29%	1133%
	Singapore	0	0	49	8.48%	n/a
	USA	45	33	22	3.81%	-33%
	World	203	100	578	100.00%	478%
Yeast, Active	France	2,828	2,289	2,869	39.68%	25%
	Vietnam	1,661	1,907	2,012	27.82%	6%
	UK	657	830	930	12.86%	12%
	USA	39	5	25	0.35%	400%
	World	6,295	5,987	7,231	100.00%	21%

Description	Country	Import Value (In Thousand U.S. Dollar)			Market Share (%)	%Change 2007/2006
		2005	2006	2007		
Yeast, Inactive	France	384	372	325	15.48%	-13%
	Japan	92	237	309	14.71%	30%
	China	133	271	303	14.43%	12%
	USA	137	157	92	4.38%	-41%
	World	1,772	1,926	2,100	100.00%	9%
Baking Powders, Prepared	Philippines	0	0	36	35.29%	n/a
	China	4	6	32	31.37%	433%
	Germany	-	16	16	15.69%	0%
	USA	10	33	5	4.90%	-85%
	World	74	244	102	100.00%	-58%
Protein Concentrates and	USA	743	890	731	16.59%	-18%
Textured Protein Substances	Malaysia	23	162	696	15.80%	330%
	Israel	521	449	584	13.25%	30%
	World	5,525	5,030	4,406	100.00%	-12%
Soy Lecithins	Netherlands	128	74	2,830	43.37%	3724%
	USA	786	897	1,339	20.52%	49%
	Germany	276	341	514	7.88%	51%
	World	1,538	2,064	6,526	100.00%	216%
Enzymes	China	4,000	4,837	5,110	18.10%	6%
	USA	3,140	3,079	4,659	16.50%	51%
	Finland	3,791	4,943	4,599	16.29%	-7%
	World	21,380	24,901	28,228	100.00%	13%

End of the Report.